

# CHAPTER 1

## The Language of Business

- 1.1 Accounting
- 1.2 Financial Statements
- 1.3 Users of Financial Statements
- 1.4 Accounting Standards

# 1.1 Accounting

- Providing information about the economic and financial aspects of the firm
  - External reporting: *financial* or *regulated* accounting
  - Internal reporting: *managerial* accounting
- 2 key components:
  - Systematic registration of transactions
  - Creation of a synthetic report

# 1.2 Financial Statements

- Also called "*annual accounts*"
  - Balance Sheet (BS)
  - Income statement or Profit & Loss account (P&L)
  - (Cash flow statement)
  - (Statement of changes in equity)
  - Notes
- (at least) annual reporting

# 1.3 Users



# 1.4 Accounting Standards

- = financial reporting standards
  - Belgian GAAP
  - US GAAP
  - IAS/IFRS
  - ... evolving language
- ≠ formats
  - Commercial vs. Financial
  - Complete, abbreviated and micro template
  - Individual vs. Group
- External monitoring
  - Independent 3<sup>rd</sup> party (auditor)

